

MINUTES

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY BOARD OF DIRECTORS MEETING - LOAN BUSINESS

June 15, 2005 - 12:00 P.M.

**8th & Main Building, 3rd Floor Conference Room
Richmond, Virginia**

- I. Voting members present: Hattie Hamlin, Jane-Scott Cantus, Pallabi Saboo, The Honorable Jody Wagner, and Mike Eisenman.
Others present: Scott Parsons, Seth Ginther, Michael Owen, David L. Richardson II, (McGuireWoods LLP), Charles Fischer (Zephyr Management), Barbara Carter, Patty Thorne, and Anna Mackley Cobb.

Vice Chairman Hattie Hamlin called the meeting to order and Seth Ginther introduced Michael Owen, a summer intern with the Attorney General's Office.

- II. Approval of Minutes - On a motion by Jody Wagner, seconded by Jane-Scott Cantus, the minutes of the April 27, 2005 Board of Directors Meeting - Loan Business were unanimously approved.

III. 501c3 Bond Program and Industrial Development Bond Program Applications

- A. Faith Baptist Church and Schools - City of Fredericksburg - \$5,500,000. Anna Mackley Cobb reviewed for the Board this application for 501c3 bonds to finance and refinance the acquisition, construction and equipping of church school facilities.
- B. Briarwood Holdings, LP - City of Virginia Beach - \$8,000,000. Anna Mackley Cobb reviewed for the Board this application for tax-exempt bonds to finance the purchase and refurbish 104 multi-family rental units serving low to moderate income families.

IV. **PUBLIC HEARING**

- A. Faith Baptist Church and Schools - City of Fredericksburg - \$5,500,000 501c3 Bond. A motion was made by Mike Eisenman, and seconded by Jody Wagner, to adopt an inducement resolution as presented authorizing the issuance of 501c3 bonds to finance and refinance the acquisition, construction and equipping of church school facilities. After a period of discussion, Mr. Eisenman moved to table his previous motion until the next board meeting. Pallabi Saboo seconded the motion to table. The motion to table was unanimously approved.

- B. Briarwood Holdings, LP - City of Virginia Beach - \$8,000,000 IDB. On a motion by Jody Wagner, seconded by Jane-Scott Cantus, the Board of Directors unanimously adopted an inducement resolution authorizing the issuance of tax-exempt bonds to finance the purchase and refurbish 104 multi-family rental units serving low to moderate income families.

V. Economic Development Loan Fund Application

- A. IDA of Tazewell County (for the benefit of Clinch River Forest Products, Inc.) - Tazewell County - \$1,000,000 5-year term loan. Patty Thorne presented this request to the Board. On a motion by Pallabi Saboo, seconded by Jody Wagner, the Board of Directors unanimously approved a \$1,000,000 5-year term loan through the Economic Development Loan Fund to assist the county in providing gap financing assistance for a start-up logging and stationary sawmill for Clinch River Forest Products, Inc.

VI. Board Review and Ratification of Loans Approved and Declined by Staff - On a motion by Jane-Scott Cantus, seconded by Pallabi Saboo, the loan decisions of \$500,000 or less approved by staff for May 2005 were unanimously ratified.

VII. Administrative Matters

- A. Approval of Credit Guidelines - Scott Parsons discussed briefly a draft copy of the Credit Guidelines which were formally presented to the Board as a suggestion from the 2004 audit. Mr. Parsons noted that the only change to the document was the addition of a loan classification system. The Board decided to request written comments on the document from all Board members and to defer approval of the guidelines until next month's meeting to allow full Board participation in the approval process.
- B. Reports to the Board on Loan Volume and Fiscal Year Status - Scott Parsons reviewed for the Board the monthly loan activity and fund accounting reports. Mr. Parsons noted that the loan activity has been strong overall this year, noting the number of loans committed under the Economic Development Loan Fund and the loan volume for both the Capital Access and Loan Guaranty programs. From a funding standpoint, Mr. Parsons detailed the status of the funds available in federal portion of the Economic Development Loan Fund, the Environmental Compliance Assistance Fund which is funded through DEQ, and the Virginia Capital Access Program (VCAP). There is not a lot of cash available for future financing, especially in VCAP which may run out of money before the end of this year.

- C. June 30, 2004 APA Audit - The Board was informed that the Virginia Small Business Financing Authority received a clean audit for 2004. Mr. Parsons mentioned that in the history of the Authority it has never had an audit with a material adverse comment and he expressed his appreciation to the staff for their hard work.
- D. Update on the Economic Development Loan Fund (EDLF) - Mr. Parsons reminded the Board that since the state EDLF was abolished (HB 2061) as of June 30 VSBFA will no longer have the ability to lend through that fund. Other concerns such as handling unfunded commitments and servicing of the loans were briefly discussed. The fund's assets will be transferred sometime in September. The Board was given an update on the creation of the Community Development Bank that will be funded in part with the state EDLF's assets.

Discussion of the EDLF federal funds ensued and Mr. Parsons reminded the Board of the loan program for the Virginia Department of Tourism. One million dollars of the EDLF federal monies will be used as seed capital for the tourism loan fund. The program will assist businesses in the tourism industry and is focused on the tobacco region, primarily the distressed areas of Southside and Southwest Virginia. Although the Tobacco Commission has been an active participant and will help with the marketing, it is hoped that the Commission will also provide funds to the program.

Mr. Parsons then discussed the VSBFA *Direct* loan program which was created using both federal and state funds from the Economic Development Loan Fund and as a result of feedback from economic developers and SBDC directors in Southside and Southwest Virginia who indicated that short term working capital financing was their biggest need. However, the program has been discontinued because of low activity, anticipated losses from the existing loans within the portfolio, and the abolishment of the state ELDF program.

- E. Update on Alternative Funding Source - Scott Parsons told the Board that the Authority has been working with a non profit entity based out of Minnesota called the Community Reinvestment Fund (CRF) to set up a process that will allow CRF to buy the loans made by the Authority. The Attorney General's Office is assisting the Authority with the proposed contract negotiations and plans to present to the Board a document that will establish a formal relationship between CRF and VSBFA for approval as soon as it is completed.
- VIII. Other Matters - Mr. Parsons informed the Board that he is working full time to help the state with some of its research on the BRAC process. His focus is on the Hampton Roads area and Fort Monroe in particular, which is scheduled to close. Patty Thorne will assume some of Mr. Parsons' responsibilities in his absence.
- IX. The meeting was adjourned by the Vice Chairman.